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STEPHEN C. EMMANUEL
PRESIDENT

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December 12, 2001

Magalie Roman Salas, Commission Secretary
Office of the Secretary
Federal Communications Commission
445 12th Street, S. W.
Washington, D. C. 20554

Re: Comment of Florida Legal Services to Federal-State Joint Board on Universal Service in CC Docket No. 96- 45

Dear Secretary Salas,

FLORIDA LEGAL SERVICES provide free legal assistance to low-income Floridians. We appreciate the opportunity that the Federal-State Joint Board on Universal Service has provided for public comment on the Lifeline and Link-Up programs administered by the Federal Communications Commission. The purpose of these programs is to provide assistance to low-income persons from subscriber line revenues in obtaining phone service, and paying monthly phone bills. FLORIDA LEGAL SERVICES strongly supports the continuation of these programs, because of their great importance to low-income persons in need of telephone service. In addition, we request that the programs be expanded to be available to more low-income persons; we make the following recommendations on how to do so; and we have information we will submit in this comment that we believe will be of use to the Board and Commission in increasing the availability of these programs to more low-income persons. Following this comment are recommendations that we made earlier this year to the Florida Public Service Commission on improving Florida's Lifeline and Link-Up programs, based upon the practices followed in the states with the most effective Lifeline and Link-Up programs; and an analysis we submitted to the Florida Legislature in 1999, "The Affordability Impacts of a Raise in Basic Residential Rates," that contributed to the Legislature's decision not to raise basic residential rates in Florida.

FLORIDA LEGAL SERVICES recommends that, due to welfare reform, Lifeline and Link-Up program eligibility be expanded from its current basis, in most states, on participation in public assistance programs, to a nationwide basis of having household income below the poverty level. Our experience is that among the public assistance recipients eligible for Lifeline and Link-Up under the default rule, recipients of welfare, now called TANF, and food stamps are by a substantial margin most in need of assistance, and most likely not to have telephone service. TANF recipients must have household income, other than a limited earnings deduction, of no more than the benefit level, which is a small fraction of the poverty level. Food stamps has a broader income eligibility, but, in order to receive a stamp allotment sufficient to justify enrollment, the household's income, again, can be no more than a small fraction of the poverty level. In the only report of which we are aware on public assistance recipients' subscription to telephone service, a 1989 report by the Federal Communications Commission,[1] 31 percent of households that receive food stamps do not have telephone service; and 28 percent of households that receive welfare as part of their household income do not have telephone service. Income eligibility for SSI (supplemental security income) is similar to that for TANF, and we would expect telephone subscription by SSI recipients to be similar to that of TANF recipients.

Participation in these assistance programs by the neediest has fallen dramatically since the Commission last considered Lifeline and Link-Up eligibility, in 1996, due to the welfare reform program that began that year. New federal law that year strongly encouraged states to reduce welfare assistance, and imposed time limits on welfare benefits and substantial new work requirements on food stamps recipients. The Department of Health and Human Services reports that since welfare reform began, TANF recipients fell by eight million, from 13.9 million in January, 1995 to 5.8 million in September, 2001; and that average monthly food stamp recipients fell by nine million, from 26.6 million in 1995 to 17.3 million in 2001. Many cannot even afford food, much less telephone service: the U.S. Conference of Mayors reported today that requests for emergency food assistance rose 23% this year. While not under welfare reform requirements directly, some SSI recipients also have been affected. In Florida, we have found that many current and former SSI recipients have encountered problems receiving Medicaid as required by law. The March, Annual Demographic Survey Supplement to the Census Bureau's Current Population Survey shows that while the households reporting receipt of SSI in the past year remained at approximately 4.1 million from March, 1995 to March, 2000, the number of these households who reported receiving food stamps in the past year fell 20 percent over those five years, from 2 million to 1.6 million, and the number who reported receiving TANF or general assistance in the past year fell by about 40 percent over that time, from about 700,000 in March, 1995 to about 400,000 in March, 2000. Moreover, recipients of income-based disability assistance programs with income requirements similar to SSI, including those under the railroad retirement and veterans benefits programs, have never been included in the Lifeline and Link-Up programs, although they are just as much in need of assistance in paying telephone expenses as recipients of any included program.

Participants in the other programs which qualify persons for Lifeline and Link-Up have not been subject to welfare reform due to receipt of assistance in these programs, but are substantially more likely to have telephone service to begin with. Our clients who receive public housing assistance, which limits housing payments to 30% of income, typically are much more

[1] - "Telephone Penetration and Household Family Characteristics," FCC Docket No. 87-339 (1989), discussed in Schement, "Beyond Universal Service: Characteristics of Americans Without Telephone, 1980-1993 (WP #1, Benton Foundation).

likely to have phone service than clients with similar household income who do not receive such assistance, because, without this assistance, our clients commonly spend well over half of their income on housing. Medicaid programs in Florida include a number of categories that permit enrollment with household income substantially above the poverty level, has not been made available to the extent required by federal law to individuals who have recently stopped receiving, or otherwise do not receive, monetary public assistance. LIHEAP (energy assistance) eligibility varies from state to state, but nationwide is available to help pay electric and gas bills of households with income of more than 150% of the poverty level. The 1989 Federal Communications Commission study showed that, even including welfare and food stamp recipients, 79 percent of households in public housing or in receipt of LIHEAP had telephone service. Eligibility for housing assistance, Medicaid and LIHEAP has been relatively unaffected by welfare reform.

FLORIDA LEGAL SERVICES recommends that the Commission adopt as a national Lifeline/Link-Up default program California's General Order 153 (as revised October 5, 2000). The order contains reasonable and effective measures for outreach, application, certification, and enrollment, that are summarized in our recommendations earlier this year to the Florida Public Service Commission that are attached. The income limit for the default program should be set at between 100 and 150 percent of the federal poverty level. Legal services and weatherization programs use 125 percent of the poverty level as an income cut-off, and have found that this is a justifiable basis for determining poverty status. A second necessary addition to the program would be a requirement that participating LECs follow, at least for Lifeline/Link-Up participants, the connection and disconnection policies required in the states with the most effective Lifeline and Link-Up programs. It is our opinion that unduly restrictive connection policies and unprotective and harsh disconnection policies form by far the greatest current barriers to participation in Lifeline and Link-Up programs in Florida, and in most other states. The policies of the most effective states are discussed at length in our attached recommendations, and may be summarized in a consolidated form in the following requirements that we recommend the Commission to adopt at least for all Lifeline and Link-Up participants:

> No deposit should be required for new service unless there is an undisputed outstanding bill with an in-state local exchange company. Deposits should be limited to the amount of two local service bills, and third parties should be able to make guarantees instead. Disconnection should not be permitted if the deposit covers the unpaid bill; for bills under $50; where the customer can make reasonable partial payments; in medical emergencies; or in other cases of emergencies or departures from household of primary wage-earning spouse. Connection charges not covered by Link-Up; past due local phone service bills, and deficiencies should be payable over a period of twelve months.

The Commission should also encourage the adoption of more reasonable connection and disconnection policies of phone companies by not considering as local service competition resellers who charge customers who cannot afford to obtain regular phone service $40 per month and more. These services typically are offered by the same companies that offer title loans, payday loans, and other similar services. These companies, far from competing with LECs, provide support to the LECs unreasonably restrictive policies.

States that choose to continue their public-assistance based Lifeline and Link-Up programs, as additional alternatives to income certification, should expand their programs to include other low-income based programs for which recipients have incomes below the poverty levels; and should be required to follow the best practices of the most effective public-assistance based state programs. As discussed at more length in our attached recommendations, FLORIDA LEGAL SERVICES has found that the common features these programs are:

1. Cooperative and extensive working relationships between local phone service companies, social service providers, and the Public Service Commission in implementing the different aspects of the Lifeline program;

2. Broad and effective outreach, including customer notification of Lifeline programs upon application for public assistance and phone service;

3. Stream-lined application and certification, often with limited phone company involvement; and

4. Connect\disconnect\ reconnect policies that are favorable towards low income persons.

We found that computers and automated enrollment can significantly increase the efficiency of some of these features, but are not a substitute for them. Direct written contact with individual eligible subscribers or with public assistance recipients has been shown to increase enrollments in a number of states.

A final issue we wish to address is the funding of Lifeline and Link-Up programs. FLORIDA LEGAL SERVICES has been very involved in the past four year in the State of Florida's consideration, and ultimate rejection, of requested raises in the allowed basic local residential telephone service rate. As we discuss more fully in our attached analysis, "The Affordability Impacts of a Raise in Basic Residential Rates," we have found that increases in the basic local telephone rate would lead to substantial disconnections from phone service, and profoundly adverse consequences for low income persons. In nearby southeastern states, higher basic residential phone rates than those Florida (as evidenced by reported urban rates, which on a statewide basis are moderated by rural populations where phone rates, as different from costs, by regulatory convention are lower) have led to lower telephone subscription rates, even though some of these states have a significantly higher median household income than does Florida. This data is summarized in Table 1.

As a result of our findings, we recommend that the Commission require that the Lifeline and Link-Up programs be funded from end-user charges based upon the end-user's entire local phone bill, rather than just the basic local service charges. Such an allocation will assure that low-use subscribers are not unduly burdened by increased universal service charges, and will not harm local exchange carriers because residential service remain noncompetitive in practice in Florida and in most other parts of the country. By making this allocation, the Commission would assure that the Lifeline and Link-Up programs, through increased end-user charges, would not drive away from telephone subscription the very population that these programs are intended to assist with telephone charges.

Respectfully submitted,

/SIGNATURE/

Benjamin Ochshorn, Senior Attorney
FLORIDA LEGAL SERVICES

THE AFFORDABILITY IMPACTS OF A RAISE IN BASIC RESIDENTIAL RATES

Raises in basic residential rates would make telephone service unaffordable for many Floridians, particularly low-income and elderly persons, based upon a survey of telephone subscribers conducted by the Public Service Commission in August, 1998. Lifeline program participation in Florida remains at about 2% of all residential subscribers to basic service, and has actually declined for the past two years.

The factor of "affordability" in the review of basic residential rates in Florida provides a balancing factor against raising basic rates for other reasons, under which the issue of loss of subscribers, or other customer hardship, caused by rate increases would be weighed against public benefits, if any, obtained through raising basic rates. There are three major issues to consider in addressing this factor. First, to what extent would basic rate increases lead to customers discontinuing basic residential service, and what would the consequences be of this? Second, how might rises in the basic rate affect customers who are able to retain their service, but with difficulty, and what would be their perception of the changes? And third, how would customers who are relatively unaffected by basic rate increases perceive basic rate increases, and would they too consider the new rates to be "unaffordable?" Judged by these criteria, we believe that increases in basic rates at this time would result in the higher rates being "unaffordable" to many current telecommunications customers.

Raising basic residential rates can be expected to have a devastating effect on the affordability of residential service, and, all other factors remaining constant, would end universal service in Florida. The PSC conducted a telephone survey in August, 1998, as part of the information it gathered to prepare its report on residential phone rates. The Commission obtained over 1,500 responses. Of those responding, over 7% of all subscribers, many of them elderly or low-income, said they would discontinue their basic residential service if the rate were increased just $2. If this percentage is applied to the number of Floridians receiving phone service, the survey results predict that close to a million Floridians would disconnect from phone service in response to a $2 per month increase in the basic residential rate, lowering Florida's telephone subscription to the lowest in the nation. In response to a $5 per month increase, 13% said they would disconnect, which would represent nearly two million Floridians if the percentage is applied to all Floridians receiving phone service. A $10 per month increase yields a 25% disconnect rate, which would constitute a staggering three and a half million Floridians disconnecting from phone service.

Among low-income respondents, the disconnection rates are even higher. The survey was not designed to isolate low-income household responses precisely, asking in approximately August of 1998 for "your family's household income . . . in 1997." Typically, slightly more than a quarter of all adults who are poor in one year are not poor in the following year.[2] Another group of persons would have temporarily escaped poverty at the time of the study, but would be considered in poverty for the year 1998. In addition, the income question is unclear, requesting information possibly for the individual's 1997 family or household ("your"); for the current "family" for 1997; or for the current "household" for 1997. Fully one in five of the respondents were unable to answer the question. In spite of these muting effects, the survey nevertheless found that for respondents reporting less than $10,000 income in 1997, about 10% would disconnect in response to a $2 per month increase in the residential phone rate; 20% would

[2] - "Dynamics of Economic Well-Being, Poverty 1993-94," *Current Population Reports*, U.S. Bureau of the Census. The study found that 26.8% of all adults who were poor in the first year of the study were not poor in the second.

disconnect in response to a $5 per month increase; and 44% would disconnect in response to a $10 per month increase.

The PSC survey results on the disconnection response to rate increases are presented below. The sources of the survey responses are Table 1-13 and Table 2-13 of the Appendix to the PSC residential rates report.

Percentage of Respondents Who Would Discontinue Local Phone Service in Reaction to Increase in Basic Residential Monthly Rate (PSC Survey, August 1998)			
Amount of Monthly Rate Increase	**All Respondents**	**Respondents With Less Than $10,000 Income in 1997**	**Projected Number of Floridians Who Would Lose Service**[3]
$2	7.1 %	9.5 %	982,784
$5	13.4 %	20.5 %	1,854,832
$10	25.1 %	44.1%	3,474,349

[3] - Calculated by multiplying the percentage of all respondents who would discontinue service by the Florida population with phone service (13,842,029, calculated by multiplying the most recent estimate of Florida's population, 14,915,980, from ST-98-1 *Estimates of the Population of States: July 1, 1998*, U.S. Bureau of the Census; by the percentage of Florida households with telephone service in their residence, 92.8%, from Table 3, *Telephone Subscribership in the United States* (FCC 1998)). The result is higher than the number of residential telecommunications subscribers who would disconnect because there is more than one person with use of phone service per subscriber.

Why are these disconnection responses so high? The current rates for basic residential telecommunications service in Florida, about $9 to $12 per month, are affordable to many households, as evidenced by their subscription to basic residential service. However, many low-income recipients, especially those who would qualify for public assistance, cannot afford telephone service even at these rates. In the only report of which we are aware on public assistance recipients' subscription to telephone service, a 1989 report by the Federal Communications Commission,[4] 31 percent of households that receive food stamps do not have telephone service; 28 percent of households that receive welfare as part of their household income do not have telephone service; and 21 percent of households in public housing, or in receipt of federal energy assistance, LIHEAP, do not have telephone service.

Every dollar rise in the monthly basic residential rate means $12 less in phone customers' annual budgets, and will force some customers to leave. Few low-income households have savings they can draw upon, or unnecessary expenses that they can cut. Some do not have $12 extra per year; more still do not have $24 extra per year; and so on. Those who will pay the increases may buy less medicine for themselves, or less orange juice for their children.

Rises in basic local telecommunications rates would have devastating effects upon the public. The reasons for this derive from the nature of telephone service itself. Telephone service is absolutely vital to households in today's society. Yet despite the great importance of being connected to the telecommunications network, telephone service is among the more likely

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[4] - "Telephone Penetration and Household Family Characteristics," FCC Docket No. 87-339 (1989), discussed in Schement, "Beyond Universal Service: Characteristics of Americans Without Telephone, 1980-1993 (WP #1, Benton Foundation).

candidates for elimination from household budgets should basic rates rise, for two reasons. First, the value of telephone service is shared between the telephone customer and those who communicate with the customer through the telephone, so that the total value of telephone service is greater than that derived from the customer alone. The losses associated with termination of phone service borne by relatives who are no longer able to contact the customer; by businesses that lose profits because they are not called; and by communities that suffer from unemployment, lack of school attendance, and health problems fostered by the lack of phone service, are not fully considered by the customer when service is terminated.

Even more importantly, telephone service is used intermittently. It is the most valuable of all consumer goods or services when it is needed most, but at other times may not be used at all. Households that are on very tight budgets must pay for housing, power, water, nourishment and medicine, or perish. Phone service, compared with these expenditures, is not as immediate, and is more easy to terminate, than these other expenditures, and so is more likely to be discontinued if its rates rise. Yet the consequences down the road to a household without telephone service are disastrous. Low-income households without telephone service have difficulties staying employed, keeping children in school, and staying connected with sources of support that can assist them in escaping poverty. They become trapped in unsafe and unhealthy neighborhoods. The ill hurt more, isolated by themselves. The elderly simply die.

Even many households with income several times the poverty level, though, are on very tight monthly budgets. Expenditures for family members, pets, transportation and outstanding debts have accumulated for many households to barely manageable levels, or beyond. The raising of basic telephone rates, to these households, means calling mom less often; foregoing a favorite recreational activity; or putting off needed car repairs. Rises in basic rates must be perceived to be necessary in order for these households to accept them without rancor, for the deprivation caused by the increases is sharply felt. Rises in basic phone rates would not be perceived to be affordable by households on tight budgets, even if the basic service was maintained, and payment of rate hikes perceived to be unjustified would be made under deep protest.

Customers who could pay the increased basic residential service rates without significant difficulty would still be keenly aware of the hardships caused to others by the increases, due to the nature of telephone service, and consequently many of them would consider the new rates to be "unaffordable." Friends or family members that the better-off customers know, or want to stay in touch with, would have difficultly paying the increases, and might have to discontinue service, causing at least inconvenience, and reduction in the value of service, to all customers. Employers would have greater difficulty contacting employees, and businesses and professionals would receive less business by telephone and be less able to contact their clients. These consequences of higher basic service rates would lead many customers who are able to pay the increases to nevertheless view the higher rates as unaffordable.

The incumbent local exchange carriers (LECs) assert that the rise of telephone subscribership over the past ten years in neighboring southeastern states which have higher basic residential rates shows that increase in rates will not discourage telephone subscribership in Florida. *In none of our neighboring states, though, was there a rise in telephone rates over that period that would cause disconnections.* FLORIDA LEGAL SERVICES compared changes in telephone subscribership in these states to changes in real inflation-adjusted median household income over this period. We found, first, that nationally over this period there was a slight increase in telephone subscribership independent of income. Changes in individual states' telephone subscribership rates in this time period were very closely connected to changes in real state income. (Table 1.) In most of these states, real income rose substantially. Florida's real income fell by about 6% over the past decade, so our telephone subscribership rate fell, too.

When we looked at whether households actually had telephones in their living units, we found that Florida's subscribership rate in 1987 had been between 2.3% and 9.4% higher than any of the surrounding states with higher basic rates. As Florida lost household income in comparison with our neighboring states, that margin has narrowed considerably. In Mississippi, though, a small, rural high-cost state that has the region's highest overall residential and business rates, actual in-unit telephone subscribership has lagged at 89.2%, some 4.7% below the national average. (Table 1.) These data show that our neighboring states' telephone subscribership had been adversely affected by their higher-cost rates for basic residential service, and that only these states' rise in real household income has increased their subscribership rates to levels closer to Florida's level.

In the PSC proceedings to gather information about residential rates, GTE made reference to a survey of telephone subscribers conducted in California after the increase of basic rates in that state earlier in this decade, that showed little change in subscribership levels from those prior to the increase. However, any subscriber in California who was adversely affected by the rate increases could self-certify for inclusion in the state's Lifeline program, and, according to data compiled by the Federal Communications Commission, subscribers receive a partial rebate of their monthly telephone bills from the state. Such means of lessening the impact of a rate increase are not in place in Florida.

LECs make two assertions, that telephone subscribership is affected very little by increases in basic residential rates, and that the addition of the subscriber line charge in the 1980s did not decrease subscribership, that are both based upon data collected by the FCC in the time period 1984 to 1988 in about 500 areas around the country.[5] The data, though, do not support the LECs' assertions. First, the $3.50 access charge was phased in between 1984 and 1989, and during the time period of the data did not exceed an average charge of $2.67. Second, the studies cited by the LECs do not measure significant parts of subscribers' bills over that period that actually decreased, such as charges for many subscribers' purchases of their telephone equipment in 1984 due to regulatory changes, and the reduced use of telephone leasing over that period; and do not account for differences between the places surveyed that may account for differences in subscribership between them, other than non-inflation adjusted income.[6] Finally, the country was in the midst of a robust economic recovery from a severe recession over that time period, with real, inflation-adjusted household income rising seven percent over those four years[7], that substantially countered the effects of increases in phone bills, if any, that occurred. Finally, the main study cited on the subject of price elasticities, Hausman, Tardiff and Belinfante, "The Effects of the Breakup of AT&T on Telephone Penetration in the United States," 83 *American Economics Review* 178 (1993), does not report the statistical reliability measures of its estimating equations, so it is not possible to evaluate the study's statistical

[5] - Hausman, Tardiff and Belinfante, "The Effects of the Breakup of AT&T on Telephone Penetration in the United States," 83 *American Economics Review* 178 (1993).

[6] - Pages 4, 51-52, *1998 Reference Book of Rates, Price Indices and Expenditures for Telephone Service*, Federal Communications Commission; and Pages 51-52. The survey sample is discussed in Hausman, Tardiff and Belinfante, "The Effects of the Breakup of AT&T on Telephone Penetration in the United States," 83 *American Economics Review* 178 (1993).

reliability. The sum of these data characteristics is that the data used for both of these assertions very weakly measured rate changes' effects upon telephone subscribership, such that it is reasonable to attribute the reported low price elasticities to poor data.

The LECs also have asserted that many low-income subscribers subscribe to premium vertical services, and that this purported high use of these services shows either that these households could pay for higher rates through discontinuing these services, or that these households may benefit from "rate rebalancing" through lower charges for vertical services. Low income subscribers do often subscribe to free or very low cost ancillary services. However, based upon our own experience in representing low-income clients, and the FCC report's findings that about a quarter, or more, of public benefits recipients cannot afford telephone service, FLORIDA LEGAL SERVICES does not find it credible that low-income and Lifeline eligible households purchase premium vertical services to the extent that increases in their basic residential rate would be offset through lesser expenditures on vertical services.

GTE and Sprint each indicated that they had conducted surveys of their own customers that included a determination of subscription to vertical services, and that these surveys showed that a significant number of low-income subscribers purchased vertical services. The results they reported, though, showed that these companies lack the capability to break down by customer income level the services to which their customers subscribe. The GTE survey differentiated customers not by household income, but rather by residence in a Census area that, almost ten years ago, was considered low-income. Sprint did not know how the survey was conducted, its scope, or what it asked, having commissioned a consulting firm to conduct it, but believed that

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[7] - Table 718, 1997 Statistical Abstract of the United States.

the survey designated as “low income” households with less than $25,000 annual income. Sprint did not present enough information to allow an evaluation of the credibility of its results, and most households with income less than $25,000 in Florida are not low income. This data does not show that low-income and Lifeline eligible households would be able to draw protection from increased basic residential rates through decreased purchases of vertical services.

The LECs further claim that the Lifeline program, a federal-state program which in Florida provides a $10.50 per month subsidy to the overall phone bills of subscribers who receive benefits from at least one of seven designated public assistance, would be generally available to low-income subscribers who would be adversely affected by a rise in basic residential rates. However, currently less than 1% of GTE and Sprint subscribers enroll in the program, and only 2% of telephone subscribers statewide do. More distressingly, participation in the program has steadily decreased over the past two years. Lifeline definitely is not a viable protection for most persons adversely affected by higher basic residential rates.

There are a number of factors that may be contributing to the low participation rate. Approximately half of Florida households below the poverty level do not qualify for Lifeline/Link-Up assistance because they do not meet the Florida program requirement of receiving one of a number of public benefits. Florida Lifeline recipients currently are required to initiate their application to the program, and there are many reasons common to nonparticipation in any public benefit program why they fail to apply, including lack of knowledge, inability to apply, personal oversight, personal circumstances, and so on. Some low-income households cannot obtain phone service because they cannot pay all of the charges required for the initiation of telephone service, including the deposit and other standard initial charges; past due phone bills that they owe; and/or improper charges resulting from “slamming,” "cramming," unauthorized pay-per-call charges, or other unfair practices. Finally, LECs may be engaging in practices that discourage or make difficult participation in the Lifeline program.

There also has been some discussion this year of a "no-frills" rate that might be offered to telephone subscribers who do not subscribe to "ancillary"services, in order to protect them against rate increases. The "no-frills" rate would be at or below current basic residential rates. FLORIDA LEGAL SERVICES would support, or not oppose, a "no-frills" rate, as part of a package of rate adjustments raising basic residential rates, only if the rate were available to low-income basic service subscribers who subscribe to low-cost, but vital ancillary services. These services include bill management services, unlisted and unpublished numbers, inside wire maintenance, deaf relay, and non-subscribed services. There may be other such services of which we are not aware.

TABLE 1

Percentage of Households With Telephone Service Available 1988-1997

	1988			1997		
	Median Income of Households (1997 Dollars)	Telephone in Unit	Telephone Available	Median Income of Households (1997 Dollars)	Telephone in Unit	Telephone Available
United States	$36,937	92.7%	94.5%	$37,005	93.9%	95.0%
Florida	34,469	92.7	94.5	32,455	92.8	94.0
Alabama	27,064	87.3	89.6	31,939	92.3	93.6
Georgia	36,043	90.1	92.4	36,663	92.0	93.0
Louisiana	27,809	87.3	91.1	33,260	91.0	93.5
Mississippi	24,646	83.3	88.6	28,499	89.2	93.2
North Carolina	33,124	90.4	92.8	35,840	93.1	94.2
South Carolina	34,641	88.5	91.4	34,262	92.5	93.8
Tennessee	28,296	90.3	93.5	30,636	94.5	96.4

Sources: Annual Averages, Table 3, *Telephone Subscribership in the United States (Data Through March 1998)*, Industry Analysis Division, Common Carrier Bureau, Federal Communications Commission (Released July 1998)

Table H-8, "Median Household Income by State: 1984 to 1997" *1998 March Current Population Survey*, U.S. Bureau of the Census.

TABLE 1

Percentage of Households in Southeastern States With Telephone Service in Unit, 1997

	Telephone in Unit[8]	Range of Monthly Basic Urban Residential Rates Reported[9]	Percent of Population Living in Urban/Rural Areas[10]	Median Income of Households[11]
Tennessee	94.5 %	$12.15	60.9% / 39.1%	$30,636
North Carolina	93.1 %	$10.47 - $12.54	50.4% / 49.6%	$35,840
Florida	92.8 %	$10.30 - $11.81	84.8% / 15.2%	$32,455
South Carolina	92.5 %	$14.77	54.6% / 45.4%	$34,262

8 - Annual Averages, Table 3, *Telephone Subscribership in the United States (Data Through March 1998)*, Industry Analysis Division, Common Carrier Bureau, Federal Communications Commission (Released July 1998)

9 - *1998 Reference Book for Telephone Service*, Federal Communications Commission. The basic residential rate is for private line unlimited calling at the minimum available rate. Rate data is from a survey of the telephone rates in 95 U.S. cities in October, 1997.

10 - Table 16, *1990 Census of Population and Housing*.

11 - Table H-8, "Median Household Income by State: 1984 to 1997" *1998 March Current Population Survey*, U.S. Bureau of the Census.

Alabama	92.3 %	$16.30	60.4% / 39.6%	$31,939
Georgia	92.0 %	$14.85 - $17.45	63.2% / 36.8%	$36,663
Louisiana	91.0 %	$12.64	68.1% / 31.9%	$33,260
Mississippi	89.2 %	$17.95	47.1% / 52.9%	$28,499

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HOWARD M. CAMERIK
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KENT R. SPUHLER
DIRECTOR

RECOMMENDATIONS FOR FLORIDA'S LIFELINE PROGRAM

To: Florida Public Service Commission

From: Benjamin Ochshorn, FLORIDA LEGAL SERVICES

Date: January 8, 2001

Re: Docket No. 001589: Proposed Rule 25-4.4047, F.A.C., Eligible Telecommunications Carrier (ETC) Information Requirements for Lifeline and Link Up Service.

FLORIDA LEGAL SERVICES represents low income Floridians. We are interested in assisting with the development of an effective Lifeline program for low income persons in Florida. Over the past several years, we understand, participation in the state's Lifeline program has actually decreased. The Commission, through dockets and on its own initiative, has implemented a number of measures designed to increase participation in the program, and currently is working on several more, including the rule proposed in this docket, and an agreement with other state agencies providing for automated enrollment of phone customers who are eligible for Lifeline.

FLORIDA LEGAL SERVICES believes that while existing measures to increase Lifeline program participation should be retained, in order to be successful they, and any new measures adopted, need to be incorporated into a more coordinated and comprehensive strategy. Such programs exist in other states and should be replicated in Florida. We believe that rule making, in combination with tariffs and Commission oversight, may be useful to the creation of such a program in Florida, but we leave to the Commission's sound judgment the role of rule making in this process.

Below is information that we have obtained on successful Lifeline programs in other states. We evaluated the programs for effectiveness based upon a measure using the most recent data available to us at the time of the analysis. The most successful programs were examined further for program characteristics, based upon publically available orders, rules and other authoritative information.

State Lifeline programs are measured for effectiveness on the basis of dollars of 1999 federal Lifeline claims per poor person in the state. Data on federal Lifeline reimbursement claims, rather than on participants, is used because participant data for 1999 was not yet available from the FCC at the time of the analysis. Participant data is available for 1988 to 1998, and is attached, and the 1998 claims data approximate the state Lifeline participants data, as reported to the FCC, multiplied by the federal Lifeline support for the state. Lifeline claims per poor person in the state, rather than claims per poor household, is used because 1999 poverty data is available on a state basis only for persons. The household poverty data will be made available as part of the 2000 Census of the Population.

The most effective Lifeline programs according to this measure were examined for program features. Information on these programs is presented below in two sections. The first section discusses Lifeline programs that directly use income as a basis for Lifeline participation. The second section discusses programs that are based upon participation in income-based public benefits programs. Direct contact with those involved in these programs was not made, and would be the next step in obtaining information about the programs.

FLORIDA LEGAL SERVICES found that the common features of successful Lifeline programs are:

1. For Lifeline programs based upon receipt of public assistance, cooperative and extensive working relationships between local phone service companies, social service providers, and the Public Service Commission in implementing the different aspects of the Lifeline program;

2. Broad and effective outreach, including customer notification of Lifeline programs upon application for public assistance and phone service;

3. Stream-lined application and certification, often with limited phone company involvement; and

4. Connect\disconnect\ reconnect policies that are favorable towards low income persons.

We found that computers and automated enrollment can significantly increase the efficiency of some of these features, but are not a substitute for them. Direct written contact with individual eligible subscribers or with public assistance recipients has been shown to increase enrollments in a number of states.

The Lifeline program in Maine appears to be the best state program on which to model a public assistance-based Lifeline program for Florida. FLORIDA LEGAL SERVICES therefore encourages the Commission to use the Maine program as a model for Florida’s current program. The Maine program has had the highest enrollment percentage of eligible participants for a number of years, currently over 90 percent; the program has all the features of the successful assistance-based Lifeline programs; it has the experience of being in operation since the mid-1980's; the program routinely looks for new ways to be effective; and the program operates with the support and involvement of local phone companies, including most notably the former Bell

Atlantic, which now, as Verizon, also operates in Florida. The program now operates by a rule enacted in 1999 due to new statutory requirements in Maine, but also operated very effectively prior to the rule.

Finally, we believe it is critical that the Commission reevaluate the effectiveness of using participation in income-based public assistance programs as the basis for eligibility for the Lifeline program. The federal Department of Health and Human Services reported in mid-December of last year that the number of welfare (TANF) recipients in Florida plunged from 533,801 in August, 1996 to 135,903 in June, 2000, due to welfare reform and an improving economy. Over that time period, though, the number of persons in poverty in Florida has remained at approximately two million persons, according to U.S. Census data. As has recently been well publicized, households that have left welfare in Florida often have not, for a variety of reasons, applied for other public assistance programs for which they were eligible. Participation in LIHEAP should be relatively unaffected by welfare reform, but that program uses a completely different participant database than do those programs directly administered by state agencies. Florida's use of participation in income-based public assistance programs as a proxy for income status may no longer be reasonable, or may need to be adjusted to include other programs.

If the Commission determines that participation in income-based public assistance programs no longer serves as a reasonable proxy for income status in Florida, FLORIDA LEGAL SERVICES urges that Florida's Lifeline program be amended to include household income, with self-certification, as a basis for eligibility; or, as does California's program, use household income as its sole basis for eligibility. We believe that federal regulations for the Lifeline program authorize the Commission to make such an adjustment in Florida's program. Florida Statutes s. 364.105 provides for a discounted rate for basic service for former Lifeline subscribers, but neither in this section nor in any other provision of law does the Legislature address or limit the criteria that may be used for Lifeline program eligibility.

We look forward to assisting the Commission in its effort to increase enrollment in Florida's Lifeline program.

<u>Leading Lifeline programs by $ per poor person in 1999 that include household income as a basis of eligibility</u> -

	Annual $ Per Capita	Annual $ Per Poor Person
California	8.5	58
Vermont	3.9	40
Wisconsin	0.8	9
Minnesota	0.7	8

<u>Notes:</u>

California
<u>Eligibility beyond public assistance programs</u> - customers with current income below level set by the Commission. For 1999-2000, the income levels were $17,750 for a household of 1 or 2 persons; $20,910 for a household of 3; and $4,180 more for each additional household member.
<u>Outreach</u> - Annual notice accompanied by self-certification form.. In Decision 96-10-066 (1996), the Commission created the Universal Lifeline Telephone Service Marketing Group (ULTSMWG) to serve as the sole entity responsible for marketing the state's Lifeline program.. The Board was given responsibility to develop a budget for marketing the program; to devise competitively neutral marketing strategies; and to oversee the implementation of marketing campaigns.
<u>Intake</u> - Customers informed about Lifeline when they subscribe. Interested applicant provided self-certification form to complete. Phone company cannot link Lifeline to subscription to non-Lifeline services. (Public counsel noted privacy concerns about customer providing this information directly to LEC staff.) (Public counsel also investigated PacBell for, *inter alia*, improper screening for and use of Lifeline program..)
<u>Connect policies for Lifeline subscribers</u> - No deposit required if no outstanding bill with California LEC. Connection charges may be billed in three monthly installments.
<u>Re-certification</u> - annually, LEC mails re-certification forms to Lifeline subscribers. They have 30 days to respond.
<u>Other</u> - Commission Decision 00-10-028 (October 5, 2000) approved a revision of General Order 153 (1984) authorizing and describing the state Lifeline program. The new order leaves the existing program basically intact and expands it in a number of meaningful ways. It incorporate all changes to the program that have occurred since 1984; conforms with FCC requirements; extends program benefits to more low-income households; and makes revisions to administrative procedures.

Vermont
<u>Eligibility beyond public assistance programs</u> - subscribers with income within 150% of federal poverty level (within 175% for those over 65) eligible. Enrollment is through tax department at its offices on standard form.
<u>Outreach</u> - Customers informed about Lifeline when they apply for public assistance. Estimated 21% of eligible recipients are enrolled.

<u>Leading Lifeline programs by $ per poor person in 1999 that base eligibility on participation in income-based public assistance programs</u> -

	Annual $ Per Capita	Annual $ Per Poor Person
Maine	4.9	47
Rhode Island	3.9	36
Massachusetts	2.1	21
New York	3	19
Connecticut	1.3	16
North Dakota	1.5	11
Michigan	1.05	10
Washington	0.9	10
South Dakota	0.97	10
District of Columbia	1.6	9
New Mexico	1.6	8
Texas	1.1	7
Idaho	0.96	7
Florida	0.7	5

<u>Notes:</u>

Maine

<u>Outreach</u> - LECs responsible according to statute; may contract with social service agencies to provide outreach.
<u>Intake</u> - Application may be orally with LEC staff (Welfare ID or SSN must be provided); in writing to the LEC; or through a social service agency soliciting applications for a LEC. Customers informed about Lifeline when they subscribe. Application concurrent with qualifying program application, and automatic enrollment with opt out, are being explored cooperatively by LECs and social service agencies. Customers informed about Lifeline through letters to non-subscribed program participants. Annual notice to customers.
<u>Connect policies</u> - Deposit required only in circumstances specified by rule; in the amount of two bills; and third parties can make guarantees instead. Disconnection not permitted for bills under $50; where the customer can make reasonable partial payments; or in medical emergencies. Deficiencies may be paid under installment plan specified in rule.
<u>Connect policies for Lifeline subscribers</u> - Connection charges may be billed in monthly installments.
<u>Re-certification</u> - [presumably at initial sign-up, and] annually, LECs submit welfare ID/SSA lists to social service agencies for verification. Customer can appeal determination.
<u>Other</u> - Commission requests LECs to develop programs in cooperation with social service agencies.

Rhode Island

Outreach - State targets community centers, etc. for presentations and distribution of information, and advertises in community papers.
Intake - State departments of human services and administration (planning division) certify subscriber eligibility.
Connect policies - No deposit required for new service unless there is an undisputed outstanding bill with Rhode Island LEC. Connection charges may be billed in monthly installments. Disconnection not permitted for bills under $50 or in cases of emergencies or departures from household of primary wage-earning spouse, and is limited in other circumstances. Six and twelve month payment plans of deficiencies must be offered.

Massachusetts
Intake - Lifeline program sign-up incentive for LEC staff. For Bell Atlantic: LEC advises applicants for service of lowest-priced available service.
Connect policies - For Bell Atlantic: No deposit required for new service unless there is an undisputed outstanding local phone bill. Deposit amount limited to two monthly bills. Connection charges may be billed in four monthly installments. Disconnection not permitted if deposit covers unpaid bill, or in cases of emergencies or serious illness where phone usage is necessary.
Other - State support is $6.00, $3.00 above usual, making the subsidy $13.00 per month.

New York
Outreach - computer program compares public assistance participants with telephone subscribers, and sends eligible but non-participating subscribers a letter notifying them of enrollment in Lifeline program unless they object. Eligible non-subscribers are sent a LinkUp application and a return envelope. HHS approval was secured for the use of program data.
Connect policies for Lifeline subscribers - connection fee limited to $10 and may be spread out over 12 months.
Other - Monthly local rate for most Lifeline subscribers is $1.

Connecticut
Outreach - LEC and social service agency cooperatively perform outreach under an independent Lifeline program administrator. In 1999 letter was sent to public assistance recipients inviting them to apply to the Lifeline program. In 1995, the Commission rejected a proposal for automatic enrollment in Lifeline.

cc: Bev DeMello, Director
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